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MINISTRY OF COMMERCE AND INDUSTRY

RESOLUTION

CEMENT PRICES

New Delhi, the 1st February, 1954

No. SC(B)-8(257)/54.—In their Resolution No. 3-T(5)/52, dated the 6th December, 1952, the Government of India requested the Tariff Commission to examine and recommend whether any revision in the existing price of cement was called for. The Commission having conducted its enquiry has submitted its report. Its main conclusions and recommendations are as follows:—

(i) The basic price of naked cement for all companies (other than 5 high-cost units for which an extra price has been recommended) should be fixed at Rs. 72 per ton f.o.r. destination instead of Rs. 71 as at present.

(ii) An extra price of Rs. 8 per ton in the case of Shri Digvijay Cement Co. India Cement Ltd., Orissa Cement Ltd. and Travancore Cements Ltd. and Rs. 5 per ton in the case of Mysore Iron and Steel Works should be given to enable these units to maintain their production and offset the disadvantages of high costs during the period of price fixation.

(iii) A uniform all India selling price of Rs. 73 per ton for naked cement f.o.r. destination applicable to all the factories should be fixed. For enforcing this price Government should set up a Fund into which the difference between the basic price and the uniform selling price would be paid by units other than the high cost units for reimbursing therefrom to the high cost units the extra price referred to above.

(iv) Packing charges for cement should be fixed on the basis of the average of maximum and minimum price of the packing material during each week of the 9 months immediately preceding the date from which the charges are intended to come into force.

(v) The basic price of cement and the extra price for the high cost units as indicated above should be fixed for a period of three years.

(vi) The movements of cement supplied by different factories should be so regulated as to avoid as far as possible uneconomic and wasteful transport.

(vii) The question of rebate payable by the Cement companies to Government for the cement supplied to them should be negotiated by the companies concerned with Government.

(viii) It would be beneficial for the high cost units if the cement produced is allowed to be exported to foreign countries in reasonable quantities.

2. The Government of India generally agree on the principles adopted by the Commission for determining the cost of production of cement in the various factories and accept its recommendations subject to the modifications explained in the succeeding paragraphs.

3. The Commission has recommended a price of Rs. 72 per ton, which provides for a return of 10 per cent. on the gross block and includes an element of about Rs. 3·9 per ton for rehabilitation and expansion. The Government of India consider that, as in the case of steel, the return on block should be only 8 per cent. This would mean a reduction of about Rs. 1/8/- per ton in the price of cement recommended by the Commission. The Government of India do not consider that an allowance for rehabilitation and expansion should automatically form part of the price of cement. In their view, there is no justification for allowing such an element in the case of the high cost units referred to in para. 4 below in respect of whom the ceiling fixed in regard to the price they might charge, is higher than that for the standard units. In other cases, where there is need to make such special provision in the price, the Government propose to adopt the procedure described in para. 5 below. For these considerations, and having regard to the desirability of maintaining a stable price for a reasonable period, the Government have decided to treat Rs. 67 per ton f.o.r. destination as the standard ceiling price of cement.

4. In the case of the following five factories whose costs of production are higher than others, the Tariff Commission has computed that the f.o.r. destination price for these units would have to vary between Rs. 83·4 per ton in the case of Mysore Iron and Steel Works to Rs. 102·7 per ton in the case of Travancore Cements Ltd. to permit of an earning a return of 10 per cent. on block and meet depreciation and costs on the same basis as other factories:—

1. The Mysore Iron and Steel Works.
2. M/s. Shri Digvijay Cement Co.
3. India Cements Ltd.
4. Orissa Cement Ltd.
5. Travancore Cements Ltd.

The Commission, however, has recognised that it would not be justifiable to fix the ceiling prices of cement at these levels and has recommended prices that are lower than these figures but are still above that for the standard units. In the case of Mysore Works, the Commission has recommended Rs. 5 and in the case of other four Rs. 8 per ton more than the price recommended by them of Rs. 72 per ton for other units. The Government of India agree with the bases of reasoning underlying this recommendation of the Commission, namely, that the higher cost units should not expect returns on the same scale as other units. The Government also consider that for some time to come there is no need in the case of these units to make a special provision for rehabilitation and expansion, nor would the addition of the special element for rehabilitation to the higher ceiling fixed in the case of the high cost units be justifiable from the consumers' point of view. On these considerations, the Government of India have decided that f.o.r. destination ceiling price of cement to be sold by these factories will be as follows:—

1. The Mysore Iron and Steel Works—Rs. 72 per ton (*i.e.* Rs. 5 more than the standard ceiling price).
2. M/s. Shri Digvijay Cement Co.—Rs. 75-8-0 per ton (*i.e.* Rs. 8-8-0 more than the standard ceiling price).
3. M/s. India Cements Ltd.—Rs. 75 per ton (*i.e.* Rs. 8 more than the standard ceiling price).
4. M/s. Orissa Cement Ltd.—Rs. 75 per ton (*i.e.* Rs. 8 more than the standard-ceiling price).
5. M/s. Travancore Cements Ltd.—Rs. 79 per ton (*i.e.* Rs. 12 more than the standard ceiling price).

5. The Government of India agree with the recommendations of the Commission that the units having a programme of rehabilitation and expansion should be assisted in carrying out such programmes. The Government accept the recommendation of the Tariff Commission that for this purpose an allowance of Rs. 3·9 (or Rs. 4 in round figure) per ton would be adequate. But the Government are of the view that while permitting any unit to add this element to its ceiling price, it is essential to ensure that this special element will be used exclusively for the purposes intended. After deduction of taxes, the amount of Rs. 4 per ton will yield a little over Rs. 2. It is the intention of Government that Rs. 2 per ton should be held by the units concerned in a separate fund and the fund operated by them with the consent of the Government exclusively for the aforesaid purposes.

This allowance will not be admissible in the case of those units which, though standard cost units, have not agreed to maintain and operate the Fund in the manner indicated above.

6. While the Government of India agree with the Tariff Commission on the desirability of having a uniform all-India selling price as recommended by the Commission, the setting up of a fund for this purpose is beset with serious administrative difficulties and cannot be considered for the present and the prices that will operate will be those indicated in paras. 3 to 5 above.

7. The Government of India have also decided that these decisions will be given effect to from the 8th February, 1954 and will remain in force until further orders.

H. V. R. IENGAR, Secy.

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